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COMMON MARKET • COAL AND STEEL COMMUNITY • EURATOM



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The views expressed by contributors do not necessarily reflect the policies of the European Community. (This statement was inadvertently omitted in the November 1967 issue of EUROPEAN COMMUNITY.)

ONCE AGAIN THE FRENCH have blocked the way to British entry into the Common Market, this time on the question of opening negotiations between the Community and the four countries seeking accession to the Treaties. Despite this serious rebuff, Britain has decided to keep her application on the table and maintain her contacts with the five other countries of the Common Market still favoring negotiations.

This issue of EUROPEAN COMMUNITY contains more material on the events leading up to the impasse of the December 18-19 Council of Ministers meeting: a commentary on the Commission's report on the British, Irish, Danish, and Norwegian applications, and various views on Britain's entry. Prime Minister Harold Wilson's seven-point program for a technological community with the Europe of the Six, although delivered before the "veto" and intended not to take the place of negotiations, still remains as one promising path for continued contacts between Britain and Europe and as an interim means for promoting closer economic integration. Beyond the immediate question of British entry, is the larger question of Europe's relationships with America, especially in the fields of technology and management. Ambassador J. Robert Schaetzel, head of the U.S. Mission to the Communities, voices some opinions on European-American relations, and a series of articles examines the "American Challenge."

Jean Monnet leads off the issue with thoughts on an even larger question—how to organize for greater world stability.


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COVER: Skiing in Bavaria. PHOTO: Courtesy of the German Information Center, New York, N.Y.





*Jean Monnet, president of the Action Committee for the United States of Europe, was the first president of the European Coal and Steel Community's executive branch, the High Authority. He assisted Robert Schuman in preparing the plan for coal and steel which led to the formation of the ECSC, the first European Community.*

## Organizing for Peace

by JEAN MONNET \*

TODAY, PEACE IN THE WORLD rests on foundations just as precarious as those which failed to maintain it in Europe. In the last two wars, Europe dragged most of the world, the United States included, into the conflict. We are all at the mercy of human ambition and error. How can we be sure that the fear of nuclear destruction will always maintain peace and that men will not one day try to use atomic weapons to impose their will?

Some experienced observers of political affairs maintain that national independence, discussion and agreement between sovereign nation states, and the preservation of a precarious and costly balance of power are the only means open to us.

This, they say, is realistic. But is it realistic to try to apply to modern conditions a concept of the past, a concept that has proved itself wrong again and again? We cannot solve the problems of international conflict without changing the context from which they arise.

This can be done only by establishing between nations a new form of relationship similar to the one already established between fellow citizens in any democratic country—namely, organized equality within common institutions.

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\*Excerpts from remarks on receiving the Family of Man Award, New York, N.Y., November 29, 1967.

Equality is not a matter of international manners. It must be accepted as the objective even before it is achieved in fact. To organize these relations on the basis of a real equality it is essential to reduce the gross disparity of resources that exists today. It is necessary for the smaller countries to unite and form large communities as is happening in Europe. Larger countries that have insufficient resources must be helped to increase them. Those which already enjoy overwhelming resources, such as the United States, must accept that others seek gradually to match them, and agree to help them to do so.

### A World of Larger Units

I am more than ever convinced that world peace can be safeguarded only by the formation of larger entities in the world, meeting and discussing problems inside common institutions, whether these problems be of political, defense, or monetary policy. It is essential to world stability that power be shared among great entities of comparable size and resources capable of dealing with one another as equals.

I have no illusions about the difficulties we must surmount in achieving a new system of relations. Just as within our countries the establishment of laws and institutions was a slow and difficult process, so we shall face many setbacks before they are gradually established internationally. Ultimate success will depend on many things: on the continuance of the efforts of the nations of Europe to achieve unity, on the economic development of the other parts of the world, on the policy which the United States pursues towards a uniting Europe, and on the Soviet Union. Only in a climate of peace developed by the United States, the U.S.S.R., and a uniting Europe can the other nations of the world achieve their aspirations.

This is the truly realistic policy—realistic because it takes account of human nature, because it accepts the need to move by degrees, and because it has already begun. The facts prove that it is possible, that it is practical, and that it corresponds to the trend of our time.

Indeed, after World War II, the countries of Europe faced a fateful decision. How could Europeans escape from the pattern of their history? How could nations suddenly learn to behave like civilized men? They did not set out to solve—directly—the problem of Franco-German enmity. They did not attempt to create a community of nations overnight. Instead, they began slowly, and painstakingly, with something unspectacular in a limited area. Six nations began by identifying a common interest—pooling their resources of coal and steel under common institutions. Later they extended this principle to the whole of their economies.

By doing so, they have begun to create a real solidarity of material interests among themselves. Equally important, they have learned to apply to their dealings with each other in the economic field a system of common rules, maintained by common democratic institutions. In time they will extend these principles into other areas of policy and action.

Europe is thus gradually acquiring a new shape, a new identity. It is becoming a great power.

Britain and other countries, long hesitant about accepting common rules and institutions, have sought membership in the European Economic Community. I am convinced that Britain, to solve her problems, needs to be a part of a large European

market and that the European Community needs the participation of Britain to be able to exercise in the world the peaceful influence that we all need. I am convinced that the British will achieve it in spite of difficulties if they show that determination which is part of their national character and from which we benefited so greatly during the last war.

### What Is to Be Done Now?

Today, all our institutions for the discussion of problems that face us on both sides of the Atlantic are based on the notion of separate national interests. Each individual state speaks in terms of its own interests. That would not be true of the institutions I am suggesting. As European unification progresses, the United States and a united Europe can and should build common institutions based on real equality that will enable them to discuss not merely economic problems, but defense and international policies.

Already, the proposals made by the Action Committee for the United States of Europe—which comprises the vast majority of political parties and all the non-Communist trade unions of the six countries—are an important step in that direction. They have just been debated for the first time by the *Bundestag* and were voted last week by the Dutch Parliament. The Action Committee proposed the beginning of institutional cooperation between the United States and the European Economic Community along the following lines:

The Kennedy Round has shown that united Europe can negotiate as an equal with the U.S.A. The Committee urge that there now be negotiated between the United States and the European Community the establishment of a 'Committee of Entente' in which the European institutions and the American Government are represented on a footing of equality.

The task of the 'Committee of Entente' would be to enable the Community and the United States to expound and if necessary to debate the European view and the American view before taking decisions on major questions of common concern, such as the international monetary system, the balance of payments, American investments in Europe, technological exchange, and aid to developing countries.

If any proposed American investment in Europe raises economic or social problems, the Community's institutions should discuss them with the United States Government within the "Committee of Entente" and, where necessary, with the interested companies.

### The Ineluctable Unification of Europe

I believe that the unification of Europe, including Great Britain will continue ineluctably whatever the present apparent difficulties. I think it essential, also, that the United States and Europe organize common institutions in which they can discuss the problems as equals, while a start is made on organized economic cooperation between the Common Market and the U.S.S.R. By advancing gradually towards these objectives, we shall change the present general context which makes our problems insoluble including the most important problem of a divided Germany.

Having defined our goals, we must take persistent action to achieve them. Surmounting inevitable and necessary difficulties on the way, we shall reach them sooner than we might think—indeed experience has shown us that the fruits of victory are always attained before the initial goal is reached.



# Changing Hopes and Fears

by **AMBASSADOR J. ROBERT SCHAEZEL**

EUROPE IS A LAND OF VISIBLE PROSPERITY and political stability, but it is a troubled land. Since 1945, Europe has traversed phases of acute fear, absolute dependence on the United States; then there was the rapid expansion and growth of the late fifties and early sixties. Today it finds itself on a plateau of doubt, even apprehension, about the future. It may be useful to probe this current mood under the two headings of changing European hopes and fears. There is a growing European perception that the only super power is the United States, with the Soviet Union, while still a great power, well behind. The reaction in Europe to this new feature of world affairs has been varied. Some Europeans have accepted a future of subordination and apply their individual energies to acquiring the good things of life, under the umbrella of U.S. security. Other Europeans bitterly resent their relative state of weakness in world affairs and strive, through insistence on nationalistic policies and positions, to redress this great imbalance of power. The majority of Europeans have reacted to this situation in fashions similar to that of Giscard d'Estaing, "Obviously one must accept all challenges, and in particular this one . . . This is why in terms of economic growth we must show ourselves to be just as capable, just as competent as the Americans, not simply to become economically as powerful, but to be able to direct our own civilization." These same Europeans conclude that the only real means of meeting the American challenge is through political and economic union, through European federalism.

Contemporary European politics is only understandable in terms of the interplay, even conflict, among these three views of Europe's place in the world.

It is in this broad setting of contemporary affairs that the European Community must be viewed. The problem [is] the question of political organization and of political will.

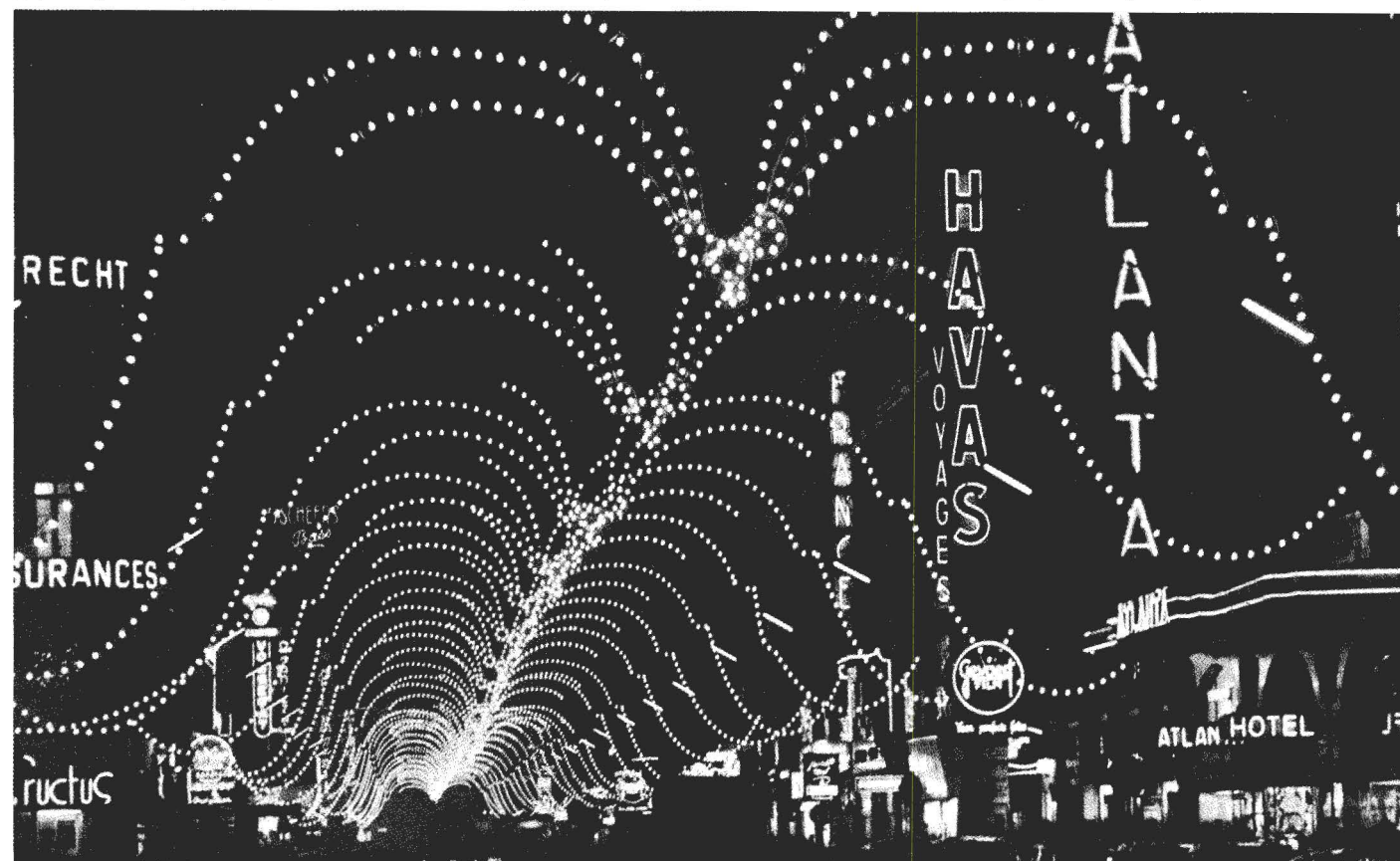
*A land of visible prosperity . . . The Boulevard Adolphe Max, Brussels, at Christmas. PHOTO: Courtesy of the Belgian Information Service.*

## Current of European Unity Seems Dammed

Europeans seem to have lost, if not their way, at least a considerable part of their confidence. While tension has abated between East and West, there is no sign that the regimes to the East have any interest in settling the fundamental problems of Central Europe, especially the division of Germany. In addition, European growth rates have fallen. In contrast, the United States has shown five years of sustained growth. No longer do Europeans talk confidently of overtaking the United States; their present worry is whether even under the best of circumstances the gap can be closed.

The sweeping current of European unity seems to be dammed. While there is unanimous agreement among the six nations of the European Community—and by at least four other nations which seek membership in the Community—that European unity is essential, there is no agreement on just what this means or how it is to be achieved. The European Communities, so revolutionary a concept 15 years ago, do not go far enough to meet today's problems; the issue basically is that Europe is still in disagreement as to how to proceed.

A basic deficiency in Europe has to do with education. This may come as a surprise to Americans who have long admired the quality of education in Europe. The fact is their educational system seems to leave off where the American system begins. Many European systems have a built-in formula by which a child before reaching the age of ten is assured either of going or not going on to higher education. The formula is often arbitrarily imposed by parents and school administrators well before a child has had the chance to demonstrate his intellectual capabilities. The statistics are revealing. Whereas only approximately 8 per cent of Europeans go on to colleges and universities, the U.S. figure is 41 per cent. One finds in Europe





a compassionate concern about the plight of our Negro minority yet few stop to realize that 15 out of every hundred Negro youths in the United States go on to higher education—about twice the European average of all their youth. These disparities, in some measure, explain European concern about the “brain drain” and the “technological gap” both of which are related to education and the use of educated people.

The dominant foreign policy concern in Europe today is how and when they can create an economic-political entity strong enough to deal on a basis of equality with the United States. Equality is important to self-esteem; self-esteem is essential if Europe is to carry its fair share of world responsibilities. As Americans, it is hard for us to recognize how overwhelming American power appears to the Europeans. Using GNP figures for 1965, the United States has a gross national product of \$692 billion; West Germany, \$112 billion; France, \$94 billion (the State of California alone had a GNP of \$76 billion) with Italy well below at \$57 billion.

In this context, American investment in Europe has begun to bring home to Europeans the depth of this imbalance. Firms, like General Motors with total sales in 1966 of \$20 billion, are implanting themselves in European countries where these figures exceed the national budgets of the countries concerned. At the end of 1966 direct American investment in the Common Market totalled \$7.6 billion and 70 per cent of that investment had been made since 1960—virtually all of it in the technologically-advanced growth industries. In many cases—transistors, oil distribution, agricultural products, telecommunications, and computer production—American firms have more than 50 per cent of the market. American size, superior financial resources, superior management are making themselves immediately felt in Europe itself.

### **Ferment Behind Façade of Satisfaction**

To a considerable extent, Europe has satisfied its most immediate requirements. In fifteen short years, the European Community has gone far to create a customs union. They have stable currencies, gold and dollar reserves that exceed our own and, due to the Common Agricultural Policy, practically no likelihood that one of the Common Market countries would—or could—devalue against the others. The matters the European Community struggle with now are those familiar to all advanced countries but which few have solved: energy policy; transport; technology and education; incomes policy.

Furthermore, this profound structural change has proceeded without material damage to third countries. On the contrary, the history of the last fifteen years has been one of steady growth of the European market. Indeed, it has been the most rapidly growing market in the world, for us and for the rest of the world. Total U.S. exports to the European Community rose from an average of about \$2.8 billion in 1956-58 to about \$5.3 billion in 1966. Agricultural exports to the EEC, \$1 billion in 1956-58, reached \$1.6 billion in 1966 and will go still higher in 1967.

The changes and dislocation to which Europe is being subjected are not only economic, but cultural, and they are being compressed into a relatively short time frame. Old patterns are disappearing, and Europeans are groping for new ones.

It is sometimes argued that Europe has an advantage due to

its lower wage levels. The low wage gambit is economic nonsense. A study—one of many—was recently made which found that European industrial equipment was approximately 85 per cent as efficient as America's. It also found, however, that the total European wage bill was the same or higher than in the United States, due to differences in productivity, working habits, etc. European prices were higher than for comparable products made in identical or similar plants in the United States.

European agriculture is passing through an even more profound revolution. Each year 500,000 farmers leave agriculture for the city. For European politicians this is as substantial a population shift as society can bear. But despite this great migration an average of 17 per cent of the population are still in agriculture, many of them older people working farms that average 27 acres. We in turn have only 5 per cent of our population in agriculture, on farms averaging 300 acres.

### **Enlightened European Response**

If an economic historian had been asked twenty years ago to predict what the European response would be to the kinds of pressures I have cited, he would in all probability have answered, “Protection, restriction, action to insulate the European market.” This has not, however, been the European response to this process of change.

In substantial part, this is because the Commission of the European Communities and the governments are aware that attempts to isolate their economies from outside competition would be self-defeating.

Europeans have been concerned about the technological gap between the United States and Europe, about the high level of American investment, the concentration of this investment in certain sectors, and the buying of small European firms by giant American companies. However, the reaction has not been the expected one of restriction.

It has been an enlightened, constructive response, one which considers American size and power as a challenge, or a dare. Thus, thoughtful Europeans are seeing these problems as a stimulus or provocation for further constructive European action. They see the solution in actions aimed at perfecting the European Community—such as establishing a company law to encourage European-scale mergers; improved education, especially at the graduate school level.

In agriculture the problem of change and adjustment is even more acute. The European agricultural system is going to require many adjustments—in prices, production levels and techniques—during this formidable period of transition. There is not only the movement from six agricultural systems to one but the adjustment required by the increased application of technology to the farm.

Nevertheless, Europe and European agriculture are changing. One of the most fundamental changes has been the rapid increase in meat consumption as a result of rising incomes. Large imports of feed grains have been necessary to meet this demand. To sustain this development it will be necessary to try to prevent further increases in living costs and further increases in feed-grain costs. While the need to protect the very small European farmer is likely to continue for quite a few years to come, the problems that will result for U.S. feed-grain exports will be moderated to some extent, and we hope in the long run over-



come by the structural changes I have referred to.

### The Question Is How to Unite

The idea of European unity has not only proved itself in practice but is also viewed as the only realistic means whereby Europe can reach the goals its people seek. Despite this, there remains as a counterforce profound disagreement among the six on the road to be taken to reach this goal of unity, and even disagreement as to precisely what "European unity" means as an objective. There is no agreement among them on the role of the institutions: How important and independent is the executive body to be? Should the European Parliament be popularly elected and invested with greater power? What should be the geographic dimensions and membership of the European Community? What should its role be in the fields of defense and foreign policy? I would stress that this confusing series of questions addresses itself not to *whether* Europe should unite, but *how*.

For, with all this internal division and confusion, what has been accomplished in 15 short years is nothing short of miracu-

lous. For the moment Europe seems to lie becalmed. Nevertheless, there are noises of political and economic pressures for further movement to be heard below decks.

Given the present state of affairs in Europe, new American initiatives toward Europe are neither feasible nor desirable. The development of trans-Atlantic relationships must await the further evolution of Europe itself.

Our general policy must remain unambiguous and firm: first, we continue to support the European Community; second, its enlargement to include those nations prepared to join wholeheartedly in the treaty obligations and political objectives of the Community; and, third, we support and actively collaborate in the existing Atlantic institutions, NATO and the OECD (Organization for Economic Cooperation and Development).

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*Excerpts from an address by Ambassador J. Robert Schaetzel, U.S. Representative to the European Communities, before the International Trade Club and the Chamber of Commerce of Greater Kansas City, Kansas City, Mo., November 10, 1967.*

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## President Rey's New Year Message

IT IS CUSTOMARY at the end of a year to look back on what has been accomplished and to look ahead to see what the future holds. I have no wish to depart from this tradition, though the vicissitudes of political life are hardly such as can fit neatly into separate twelve-month compartments.

Let us first take a look at the year now drawing to a close. What has it meant for the Community? What has it bequeathed to the Community?

Broadly speaking, I think I may say that 1967 has seen the end of one phase in the life of the Community and the beginning of another.

We have fully honored the Luxembourg agreement of January 1966 that put an end to the "constitutional crisis." At the same time, the problem of extending the Community, particularly the problem of United Kingdom membership, has again been raised in all its importance and with all its historic implications.

Most important, the Community has fulfilled the commitments it had undertaken. I am thinking, of course, of the successful conclusion of the Kennedy Round and of the merger of the Executives.

The first lesson that I think should be drawn from the trade negotiations in Geneva is that where Europe is seen to be united, where she speaks with a single voice and expresses a united interest, she is entitled to rank as a protagonist. The Kennedy Round has shown that in the only field where the Europeans are integrated, they are on the same footing as, and negotiate as equals with, the Americans.

The merger of the Executives is not only the beginning of a process that will be crowned by the merger of the Communities; here and now it enables us, by removing certain internal divisions, to take a more coherent and more rational view of the whole process of integration. More particularly, the concentration of the power of initiative in a single Commission will

help to make more homogeneous its task of drawing up the plans for the Community structure.

The second half of 1967, especially its closing months, was dominated by the problem of extending the Community.

The fact that in the course of five years two different British Governments have decided to apply for full membership of the Community seems to me to demonstrate clearly on the one hand the national character of this choice and, on the other, the vitality of the Community.

These comments on the extension of the Community to other countries brings us naturally to consider future prospects.

The situation today is too uncertain and too burdened by emotional factors to permit forecasts—always a thankless task.

One thing that I think can be said at the moment, and a point of which I am thoroughly convinced, is that despite opposition and differences of opinion there is the possibility of a consensus. The possibility is there, and I would add that it has to be there, because membership of a Community implies acknowledging that it is a common destiny that shapes our future. To promote this consensus, however serious the difficulties may appear, is the main task we must face in the new year.

Nineteen sixty-eight is opening not only uncertainties but also on prospects that are largely assured already. On next July first, customs union will be an accomplished fact, eighteen months before the Treaty deadline. This is without any doubt one of the most significant achievements of the Community. One of the most significant and one of the most stimulating, since the attainment of customs union calls for and entails a leap forward in the field of economic union.

Nineteen sixty-eight will also bring us new challenges: new tasks and new difficulties. This is perhaps the best proof that the Community is living, that we have youth on our side and that the future is ours.



# United States of Europe or Europ

"THE AMERICAN CHALLENGE" by Jean-Jacques Servan-Schreiber\* bluntly asks the question that has bothered so many Europeans lately: is Europe becoming the caboose on the American train?

The United States has taken the lead in the race for technological civilization, and Europe is running many lengths behind. For instance, the United States has 63,000 computers in service, against 9,700 in the Common Market (12,800 including the United Kingdom). Europe's lag in technology, this "technological gap," is largely due to the under-developed state of research in Europe. The United States spends ten times more on research than does the closest European country.

"Technological gap" does not, however, explain everything. As the U.S. ambassador to Italy emphasized recently, Europe

has produced more non-military technological inventions than the United States since the end of the war. Out of 107 important post-war inventions, 52 were from Europe and only 33 from the United States. The main cause of Europe's lag, according to Servan-Schreiber, resides in Europe's relatively primitive organization methods. In order to redress this situation, which will weigh heavily on the future of every European, he proposes, with compelling and tightly-reasoned arguments, a solution: the rapid formation of a federated Europe—"the United States of Europe."

The next two articles are two Europeans' reactions to "The American Challenge."

\* Servan-Schreiber, Jean-Jacques. *Le défi américain*, Editions Denoël, Paris, 1967.

## Closing the Gap

by MICHEL DRANCOURT

CLOSING THE "GAP" first requires an examination of the roots of American power which manifests itself so spectacularly in advanced technology. If the American economy produces so readily the industrial wherewithal needed in the nuclear-space-communications age, it is only because it has greater investment capacity and makes better use of its resources than does Europe.

Without delving into U.S. history to explain America's national character, not least of which is its pioneer spirit, profits earned by American business and industry can be singled out as one of the roots of the country's progress. Profits support progress, and they are a result of the constant exploitation of all the possibilities the American market offers.

### The Europe of Cleats and Camemberts

People are always talking about American technological superiority, but they shouldn't forget about the superiority of its more banal production: cars, refrigerators, canned foods, or cigarettes. The founders of the Common Market saw it and wanted to transplant the secrets of America's success to Europe—a larger market; competition; and, through standardized production in the larger market, more goods at a lower price for consumers.

Thinking about building the Europe of science and technology, though healthy, should not obliterate the need to make a success of the Europe of camemberts, cleats, and shoes. The more companies there are manufacturing food or household goods, the more resources there will be for exploring the ocean floor or the moon (we are getting there by necessity after the Americans, the Russians, and perhaps the Japanese).

Although borders are crumbling, the logic of the Common Market has not yet taken over. For the moment, competitive efforts are feared as much as they are desired, by everyone, including most consumers who, as wage-earners, are more concerned about their jobs than their standard of living. We ought

to applaud every initiative in the direction of common European achievements, but the economy alone cannot instill ambition, hope, or above all national character.

Without appearing frivolous, we could easily conceive of a more closely connected network of European businesses with better management (God knows some need it) systematically forming alliances with the number two or three American company in a certain sector to compete with the number one company. After all, perhaps a European electronic group could negotiate an agreement with Control Data to challenge IBM. . . . We could also imagine an acceleration of the current trend, namely the use of American profits for the very great benefit of Europe.

The economy would be healthy. Business profits would grow. Wage earners would be better paid. In short, Europe, while remaining more independent than people sometimes think, would move towards American abundance.

### But Would It Really Be Europe?

The minute the United States is tempted or forced, because it carries the greatest responsibilities in the world, to become more and more nationalistic, we will face something quite different from a challenge. A challenge is always a way to self-discovery, first by opposition, then by submission.

To save time, we are tempted to copy the economic methods of the United States but are winding up with their way of life today and, tomorrow, their way of thinking.

If we intend to be Europeans, influence should be our ambition—we should want to be someone. For that, we must look beyond the economy and trade. Faced with great problems—peace, life, leisure, liberty—Europe must make its views understood. She has not on the Israeli-Arab conflict, China, the under-developed countries, or "the pill." As long as she does not, she will not be understood.



# of the United States?

## Europe Feels the U.S. Spur of Competition

An interview with **RAYMOND CARTIER**

**QUESTION:** *A 'United States of Europe' or a 'Europe of the United States'; Is that really our only choice?*

**ANSWER:** Unquestionably. If Europe remains politically and economically divided, American business colonization could really get out of hand. But, for the real Europeans, and I am one of them, unification isn't just a reaction to some specific threat, namely the United States, but the outgrowth of a common culture that stretches from North America to Russia.

A united Europe, which includes at least the "Six" and Great Britain, is feasible. For this, the pressure of competing with the United States—accepting the American challenge—may even help. It's like using spurs on a racehorse—driving us into making Europe a federation. When you get right down to it, Europe disunited is nothing but thin air.

**QUESTION:** *Are you as obsessed as Servan-Schreiber is with the idea that the 'American challenge' is already so great that we don't have a second to lose?*

**ANSWER:** No, I'm convinced Europe needs American capital and especially their technological "know-how."

**QUESTION:** *Is it worth becoming a U.S. colony for it?*

**ANSWER:** Recent history shows how easy it is to decolonize and that you're almost sure to lose any investment you make abroad. Anyway, the presence of American capital doesn't scare me. Once you die, you don't stand much chance of waking up again. Death for Europe is stagnant production and productivity. The American "colonization" helps all of us grow. It increases our power, our potential for independence.

In our world, poverty is the only serious sin, it causes all the others. American capital helps us become rich; it's a windfall.

**QUESTION:** *Servan-Schreiber says we are becoming increasingly dependent on decisions that are made without us, in Chicago or Detroit, in the executive suites of companies that are creating branches in Europe. We miss out on the best part of having American companies in Europe—research and, above all, management.*

**ANSWER:** The management gap does play a much more vital role than the technology gap; but when American business comes here, it trains managers. In a little while, we too will have people with American managerial know-how. Besides, it isn't quite right to say the United States makes all the decisions. Look at Jacques Maisonrouge—he's managing all IBM's activities outside of the United States from Paris.

As for research we do look like poor relatives next to American laboratories. But there's nothing to keep governments in Europe from requiring the American companies in their countries to do part of their research in Europe. If we had just one government of a united Europe, it would strengthen our hand to enforce a requirement like that.

**QUESTION:** *In view of the American challenge and the general need for development in science and technology, can we expect the historical impediments to European unity to disappear in a few generations?*

**ANSWER:** New European institutions must be created constantly, like the highly successful railroad pool, for instance. Louis Armand [former president, *French National Railways*] told me it had raised the productivity of his rolling stock by 30 per cent. All it took was painting the word "Europe" on the cars. Things like this in every area would be an extremely effective response to the American challenge. But obviously, cooperative ventures won't do much good if your management decisions have to be unanimous to protect sacred cows. You'd end up with an inefficient system like the German Confederation. But you can't ignore reality either. The main thing is to preserve and keep Europe together so that understanding between France and Germany can take root. This is fundamental.



**"THE AMERICAN CHALLENGE"**

*My God, says God, I forgot to create Europe!*



# The Common Market in Winter Dress

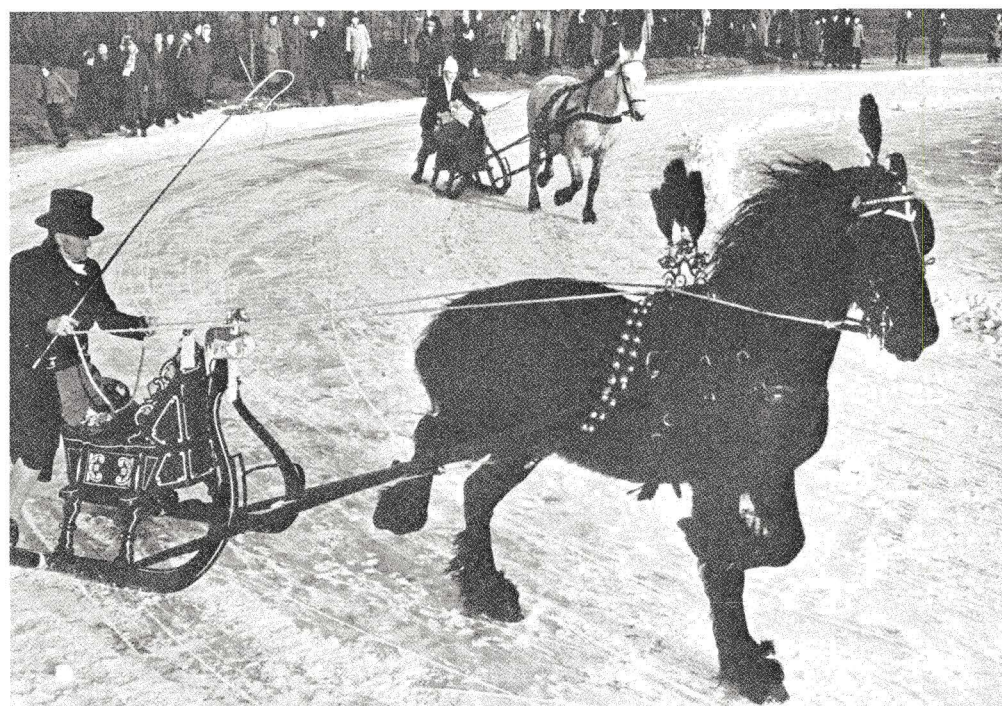


*The 1,000-meter toboggan run at Villard-de-Lans, near Grenoble, France. The ice-covered concrete run drops 110 meters in five curves, six bends, and a labyrinth. PHOTO: Courtesy of the French Government Tourist Office, New York, N.Y.*



*The speed-skating rink in Grenoble. This 30 x 60 meter rink and an ice stadium that will seat 12,000 spectators were built especially for the Winter Olympics. PHOTO: Courtesy of the French Government Tourist Office, New York, N.Y.*





*Sleigh-racing, a popular spectator sport in Friesland, the Netherlands. PHOTO: © National Foto Persbureau, Amsterdam, courtesy of the Netherlands Information Service, New York, N.Y.*



*Skiers bask in the sun on the highest landing of the Beauregard cable lift at La Clusaz, a ski resort in the French Savoy mountain range. PHOTO: by Ph. Perrelle, courtesy of the French Embassy Press and Information Division, New York, N.Y.*



*The bobsled run at Alpe d'Huez, near Grenoble, France, the site of the 1968 Winter Olympics. This 1,500-meter-long run was built of prefabricated concrete and is illuminated for night-events. PHOTO: Courtesy of the French Government Tourist Office, New York, N.Y.*

*Dutch skaters on a frozen canal. In parts of Belgium, as well as in the Netherlands, canals become skating rinks and race tracks in winter. Skaters in the "Tour of the Mills," a major Dutch sporting event, sign in at windmills along the canal-race course. PHOTO: © Nationaal Foto Persbureau, Amsterdam, courtesy of the Netherlands Information Service, New York, N.Y.*



# Extension of the Community: Suggestions-Ideas-Guidelines

by JEAN LECERF

*Jean Lecerf, a reporter for the French newspaper Le Figaro, comments on the European Communities Commission's report of September 29 on the British, Irish, Danish, and Norwegian applications for membership in the Community. Their membership would not alter the basic objectives, characteristics, or methods of the Community of the Six, stated the report (see European Community No. 107, page 7). It would, however, cause difficulties. The hundred-page Commission document goes to the heart of the problems that will be faced.*

A DIALOGUE HAS BEEN STARTED ON the real problems of accession. They have been studied thoroughly and are presented in the report in three sections: the general problems of enlarging the Community; the customs and economic union, and the relations of an enlarged Community with non-member countries. This report is a first step towards a healthy and constructive decision.

## Institutional Revisions for Efficient Administration

Enlarging the Community by four members would complicate the administration of the Community's institutions. Any necessary amendments to Community law and revisions in the institutions must be made in a way that maintains efficiency. Without this, a customs union cannot function, much less an economic union. Economic union requires adequate institutional powers to obtain decisions that having a greater number of member states will make more difficult to reach. Hardly any difficulties would arise for institutions such as the Court of Justice; it would still need an uneven number of judges. The seats in the Parliament would have to be redistributed.

The level of the qualified majority and weighting of votes in the Council of Ministers would be difficult since three of the applicants have populations, at the most, half as large as the Netherlands and Belgium. Budgetary contributions and distribution of expenses would have to be re-assessed.

Should the United Kingdom, Denmark, Norway, and Ireland join the Community, several other countries would seek preferential agreements or association with the Common Market. Without specifically mentioning these countries, the Commission's report discourages such arrangements which, it indicated, would further jeopardize administrative efficiency by imposing all kinds of "consultations" and by requiring the associates or trading partners to comply with decisions in which they have not participated. "Associated status should not be contemplated," it would seem, "except for countries whose international situation precludes accession"—Austria, for example.

For Sweden, despite her policy of neutrality, the Commission thinks that membership could be contemplated only if she can fully accept the political goals of the Community. If Sweden does not join, and Norway and Denmark do, it will endanger the unity of the present Nordic market.

In one respect, the new members' gradual adjustment to membership, their period of transition, would create an administrative situation similar to the one the institutions would face in the case of association. The question is whether new members which do not have to apply new decisions immediately should have the same voice as the original members in making decisions.

The Community cannot hibernate during negotiations; it must continue to function day to day and progress towards eco-

nomic union. This means decisions, rules, and regulations made during the course of negotiations would have to be accepted by new members; this is another reason why negotiations must be conducted quickly. Even if they drag out, it would simplify matters if the accessions take effect on the same date.

## Customs and Economic Union Mean Busy Technocrats

A customs and economic union of Ten would mean more busy technocrats, especially in Britain, the only common law country of the Ten (see *European Community* No. 103, page 17). All new members would have to align the content of their laws in areas covered by Community law; Britain moreover would, in some instances, have to modify basic legal concepts.

Company law is one such area. The continental and British systems differ on capital functions, system of boards, and general meetings, for instance. Tax systems differ too, and would necessitate harmonization of turnover taxes, capital transfers, and corporate profits, to name just three.

In addition, Britain would have to adopt continental industrial standards and speed adoption of the decimal system, since the existence of two sets of standards would impede trade. The British Government has acknowledged that legislative changes would be necessary to apply Community law.

A customs union of Ten would, of course, cover a much larger trade volume: \$32 billion instead of \$20.5 billion, even in terms of 1965 data. Trade would expand fast, but internal trade would grow faster, though not as rapidly as it did in the years 1958-65.

Problems an enlarged customs union would face would involve, primarily, the processed food industry; paper (because of the Scandinavian industry's cartelization and easy access to raw materials); textiles (because of disparities between British and Community commercial policies); ferro-alloys (because of substantial differences in energy prices); automobiles and tractors, and all areas in which Americans have large investments. Since the United Kingdom, which already has sizeable American investments, would attract even more after accession, a coordination of the Community members' attitudes on such investments would be desirable, according to the report.

## Other Changes and Problems of Enlargement

Air and ocean transport would play a much more important part in the internal trade of a Community of Ten than it does in the Six. Enlarging the Community would make solutions to present outstanding problems more urgent. The Treaties, for instance, give the Community no authority to deal with air transport at all.

In the area of labor policy, the policies of the single Nordic labor market would be difficult to reconcile with the Community's rule of giving Community residents priority access to jobs—especially if one of the Nordic countries remained outside the enlarged community. The Commonwealth Immigration Act also would raise the question of the extent to which the facilities extended to the Commonwealth members would be given to the entire Common Market.

Financing of social security also differs. In the United Kingdom, taxes finance one-half of social security payments, and employee contributions make up the other half. In the Six, workers and employers pay three-quarters, in proportion to



salaries. The British system could give British companies a competitive edge.

In the energy market, the membership of Britain, a large coal producer, and of Norway, a large producer of hydro-electric power, would influence the coordination of energy policies but would not substantially alter the difficulty of the problem. In the area of nuclear energy, the United Kingdom pulls as much weight by itself as the Six do together, producing 14 per cent of its electricity by nuclear generation. Britain's installed capacity at the end of 1965 was twice that of the Community, and British firms are more independent of U.S. nuclear technology than are continental firms. The problem would be that of agreeing to exchange data, pool efforts, and put a common and coherent nuclear policy into practice.

### The Technological Community

The Community still has no policy for technological development. The United Kingdom participates with European countries in advanced technological research and has even proposed the formation of a European technological Community with the three Communities now merging.

In 1963, the research budget of the United Kingdom was \$2.2 billion while the Community's was \$3.5 billion, of which France's was \$1.3 billion and the Federal Republic of Germany's was \$1.4 billion. The United Kingdom employed 59,000 full-time research workers; the Community 100,000 (France 32,000; Germany, 33,000). The British financial effort represents 63 per cent of the total effort. In an enlarged Community, the United Kingdom would make 39 per cent of total expenditures; Germany, 25 per cent; France, 24 per cent.

However, the problem of efficiency, originality, and quality of research would remain. Several costly experiments in the

past fifteen years have produced little (Comet, Blue Streak). A lack of coordination has often hampered government programs and the brain drain has been especially hard on Britain. Nevertheless, Britain has attained high international standing in chemistry, biology, aeronautics, computers, and in theoretical, nuclear, and solid state physics.

The Communities could benefit from British support in these areas, but only to the extent they could establish a common policy for science and advanced technology. Without Britain's contribution, the Six would find it harder to attain international size in these areas.

### The Agricultural Policy: A "Fait Accompli"

The main parts of the common agricultural policy (prices and market organizations, more specifically) were completed after long and arduous negotiations and many compromises. It is too late now to unravel it, but will it accommodate the interests and problems of the four applicants?

A Community of Ten would have 30 per cent more land under cultivation, but because farms are larger in the United Kingdom and Denmark, the number of farming units would increase only 20 per cent. Agricultural employment would increase only 16 per cent because the Four seeking accession are more highly mechanized than the Six.

A main part of the agricultural policy is the "self-sufficiency rate," the portion of consumption supplied from national production. The Six, with a self-sufficiency rate of 110 per cent, are net exporters of wheat. The Ten, with a self-sufficiency rate of 94 per cent, would become net importers, and the Community's rate for fresh vegetables would also drop, from 102 per cent to 98 per cent.

On the other hand, the Ten would import proportionately

*The European Communities Council of Ministers continued discussion of the Commission's report on December 11, 1967. This photo shows members of the Commission at the Council meeting (seated left to right): Vice President Raymond Barre, Vice President Lionello Levi Sandri, President Jean Rey, and Commissioner Albert Coppé.*







*Threadneedle Street, the heart of the London financial district with the Bank of England in the background. PHOTO: Courtesy British Travel Office, New York, N.Y.*

less feed grains, beef, and chicken than the Six. Right now the Six import a little pork, but the Ten would begin to export a little. All in all, the statistical analysis shows that these problems would change the Community's external trade patterns slightly, but not enough to disrupt them.

### **What Will It Do to the Four?**

The common agricultural policy would, on the other hand, cause the Four some problems that would have to be settled in negotiations.

The United Kingdom's agricultural system would undergo profound changes. It would mean giving up its farm subsidy system and guaranteed prices for meat, eggs, mutton, potatoes, and wool. The cost of living would increase, about 3 per cent according to the Commission's estimate.

In the United Kingdom, consultations on farm prices take place between agricultural unions and the Government to determine guaranteed prices for producers. Because of government subsidies, prices at the farm do not directly affect consumer prices. In the Community, prices are set for the market and official consultations include all economic interest groups, not just agricultural organizations.

Two products that require special attention in the U.K.'s agricultural relations with the Commonwealth are: sugar and butter. British sugar policy is governed by long-term agreements with the Commonwealth countries, which supply more than two-thirds of the United Kingdom's needs. The mounting surplus production of the Six and the probability that in a few years their African associates will have an exportable surplus of 100,000 tons magnify the sugar problem.

As for butter, the British buy 85 per cent of New Zealand's butter exports. Of Britain's 173,000 ton import quota, the Six now supply only 20,000 tons; Norway, Ireland, and Denmark, 132,000 tons.

### **Britain's Economic Difficulties**

Britain would be an immediate asset, to the Community, if it were not for the present state of her economy.

More clearly than ever before, a conflict has emerged in the United Kingdom between sustaining a normal growth rate for an industrial country and maintaining equilibrium in foreign trade. Periodically Britain must apply deflationary policies which invariably arrest economic growth and which include restrictions on international transactions. It is not just a matter of cyclical swings, but of structural flaws, stemming from either poor allocation of productive resources (misguided or inadequate investments, limits on productivity increases, haphazard tax policies) or from the economic, monetary, and financial burdens placed on Britain after the last world war. The report, written before the devaluation of the pound sterling from \$2.80 to \$2.40, expected Britain to have even more trouble next year repaying debts because of the sizeable increase in her balance-of-payments deficit.

Sterling balances amounted to \$12.3 billion at the end of June 1967, about 12 per cent of the United Kingdom's domestic product, compared with 40 per cent at the end of the forties. While total sterling holdings abroad have remained more or less stable, the risk of a serious breakdown in confidence, and a run on the pound, cannot be entirely ruled out.

To reassure the Six, the British Government had indicated that it would not ask the Six for "mutual-monetary assistance," (as stipulated in the Treaty) to support the pound sterling in its role as an international currency. Britain would instead seek a solution in a wider context than the Community. However, according to the report, such a waiver of mutual assistance is neither acceptable nor practical. Mutual financial assistance comprises more than just aid in the financial field; it is a whole set of procedures and instruments to ward off the greatest danger possible for a developing economic union: the isolation of one member's economy because of balance-of-payments difficulties. The Community could not afford to forego the corrective action provided in the Treaty.

### **The Enlarged Community and Non-Member Countries**

The enlarged Community, responsible for 22 per cent of world trade instead of 16 per cent, would definitely take first place as



a commercial power. This would produce requests for another general lowering of tariffs or for preferential concessions from non-member countries, particularly, but not exclusively, from the Commonwealth members.

In general, the tariff levels of the new members (Britain in particular) are higher than the common external tariff. Until the completion of the economic union, it would be necessary to defer any further general tariff reductions; but the requests of the developing countries in the Commonwealth would pose an urgent problem.

The Community's responsibilities towards developing countries would grow considerably, making it even more desirable

for it to study the possibilities of Community financial and technical assistance to the developing countries in general, and particularly for Latin America. The Commission suggested that solutions for problems of the Commonwealth, Canada, Australia, and New Zealand be sought in world agreements on certain agricultural products.

As for the United States, the Community would have a better chance of establishing a relationship of equality between Europe and America if, in enlarging, the Community retains and strengthens its cohesion and capacity for decision and action.

## OFFICIAL STATEMENTS ON BRITISH ENTRY

**OPINION on the Applications for Membership received from the United Kingdom, Ireland, Denmark, and Norway.** Commission of the European Communities. Brussels, September 29, 1967. Article 101, paragraph 1.

The disequilibria affecting the United Kingdom's economy are such as to put serious difficulties in the way of fulfillment of the normal obligations that would be entailed by joining the Community and complying with the Treaties and the decisions subsequently taken in execution of the Treaties. Examination of these difficulties together with the United Kingdom Government would provide an opportunity for seeking ways and means of overcoming them.

**THE EUROPEAN COMMUNITIES COUNCIL OF MINISTERS,** *Statement after meeting on external affairs, Brussels, December 19, 1967.*

The Council of the European Communities . . . noted that no member state has raised any fundamental objection to the enlargement of the Communities . . . assum[ing] that the new member states would fully accept the Treaties and the decisions adopted by the Community. One member state, however, expressed the opinion that this enlargement would profoundly alter the nature of the Communities and the methods of administering them.

All the member states were of the opinion that the restoration of Great Britain's economic and monetary situation is of fundamental importance to the question of its accession. Several member states, while fully in favor of re-establishing Great Britain's economic equilibrium, do not think that the British economy must necessarily be completely re-established at the moment of Great Britain's accession. . . .

The Commission expressed the opinion that it would be advisable to open negotiations . . . with the states which have presented requests for accession in order to undertake the

necessary further examination of the problems pointed out in its opinion of September 29, 1967, . . . and to examine whether solutions exist which make it possible to satisfy the conditions necessary for ensuring the cohesion and vitality indispensable to an enlarged Community.

Five member states agreed with the Commission's point of view. They expressed their desire for the immediate opening of negotiations . . . in parallel with the re-establishment of Great Britain's economic situation. One member state considered that the re-establishment of the British economy must be completed before Great Britain's request can be reconsidered. . . .

The requests for accession presented by the United Kingdom, Ireland, Denmark and Norway, and also the letter from the Swedish Government, remain on the Council's agenda.

**THE EUROPEAN COMMUNITIES COMMISSION,** *Statement after the Council of Ministers Meeting of December 18-19*

The Commission deeply regrets the Council's failure to reach agreement on what steps should be taken to deal with the applications for membership in the Communities made by a number of European countries, in particular the United Kingdom.

Whatever difficulties of substance may have arisen, the Commission still believes that the countries concerned must be given a hearing and that the Communities should negotiate with them in order to ascertain whether solutions acceptable to all can be found. . . . The Commission appeals to all concerned to keep the consequences of the present disagreement within the narrowest possible limits. More than ever before, efforts in the field of European integration will have to be pursued tenaciously and opportunities must be sought of resuming the course, temporarily abandoned, of expanding the Communities. The Commission will do its utmost to help attain these objectives.





Jean Rey, President of the European Communities Commission, went to London on December 4 for talks with Prime Minister Harold Wilson and other members of the British Government. Mr. Rey was accompanied by Commission Vice President Raymond Barre and Commission member Edoardo Martino. Left to right: Edoardo Martino, Jean Rey, Prime Minister Wilson, Raymond Barre, British Foreign Secretary George Brown. PHOTO: © Crispin Eurich, London.

# Wilson's Seven-Point Proposal

*British Prime Minister Harold Wilson proposed a seven-point plan for a European technological community when he spoke at the Lord Mayor's banquet in Guildhall, London, on November 13. He said he intended the technological community to act as "a catalyst to a deeper and closer economic integration," and not as a substitute for British membership in the European Communities which "we stand ready to negotiate now." Negotiations for membership and the new drive for a "European technology must go ahead simultaneously," he said. Following are excerpts from the Prime Minister's address.*

## Bilateral Projects

We are prepared to embark on bilateral projects with any European partner ready to respond for technological cooperation in any field where such partnership can yield worthwhile industrial results . . . I do not have in mind further costly government-financed ventures. The test of effective European cooperation must be industrial partnership and industrial integration based on pooling the research, development, and production of viable and strategic economic enterprises. We are ready to talk in the fields of computers, electronics, and the civil application of nuclear energy . . . This cooperation will have to be organized by both governments and industry.

## Multilateral Discussions

We are ready, too, to embark on urgent multilateral discussions, with our European partners, designed to create a new dynamic in European technology. . . . We are prepared to go as far and as fast as—and indeed perhaps further and faster than—any country in Europe in preparing the technological cooperation and integration that can give a new impetus to a European economic union, provided that we all recognize that this cooperation and integration can become a reality only through and within the enlarged European market for which we are working.

## Industry's Role

We have invited the Confederation of British Industry (C.B.I.) to consider how, in the light of the friendly and constructive relations they have with their sister industrial organizations in Europe, industry itself can get together to prepare the ground rules for technological cooperation: not on the basis of purely intellectual exchanges on science and technology—valuable but not directly productive—but on the basis of integrated industrial and technological advance.

## Technology Institute

We are prepared—and here I pay tribute to the forward thinking of the C.B.I.—to join with other governments and with industry—here and on the Continent—in sponsoring a

multilateral European institute of technology, to examine case by case, area by area, industry by industry, the means to greater European technological cooperation; and to work with governments in achieving it.

## European Companies

We are prepared, in partnership with both sides of British industry, to produce as a matter of urgency our own views on the way in which what our friends in Europe have called "European Companies" can be organized on a basis which transcends national frontiers. It is a telling reflection on all of us in Europe that, apart from a handful of established organizations such as Shell, Unilever, and Philips, the only companies which transcend Europe's national frontiers on an integrated basis are the American-owned corporations in Europe, in such industries as automobiles and computers.

Over the past year the pace of structural change in British industry has quickened, partly through inner compulsions, partly too, through a realization that greater competitiveness requires production—and research—in larger-scale units. And this process has been constructively stimulated here by the work of the Industrial Reorganization Corporation. But this of itself is not enough. If we, Europe, are to be fully competitive in a technological sense, we have to think more and more of mergers on a European scale, proceeding from working arrangements and bilateral agreements to a more truly multilateral approach. This will mean not only an acceptance of broader horizons for our new industrial pattern, it will mean devising machinery to forward this process.

## Company Law and Patents

Next, the Board of Trade is prepared, as a matter of urgency, jointly with industry, to examine and prepare the steps necessary to bring our domestic arrangements in the field of patents, monopolies and restrictive practices, and company law into line with the requirements of a wider economic integration in conformity with the principles of the Treaty of Rome.

## Trade Unions' Responsibility

We have discussed with the Trades Union Congress, with their own close relationship with EFTA (European Free Trade Association) Trade Union centers, with the Trade Union Movement of the Six, and with the European Regional Organization of the ICFTU (International Confederation of Free Trade Unions) what they can do to further these objectives in the wider sector of the industry for which they bear responsibility, and to play their full part with management and with governments in promoting not only the industrial but also the social objectives of a collective European technology.

These are positive proposals and on them, as on the other matters to which I have referred, we mean business.



# BRITISH ENTRY: Commentary

**ANTHONY WEDGEWOOD BENN**, *British Minister of Technology, Remarks at First Public Showing of the Anglo-French supersonic transport Concorde, Toulouse, France, December 11, 1967, as reported by The New York Times, December 12.*

"Only one disagreement has marred our work, and no amount of ministerial meeting has produced a compromise. The French insist that Concorde be spelled the French way. So we, too, will spell it with an 'e'. It will be an 'e' for England, 'e' for Europe, 'e' for entry, and 'e' for entente."

**FRITZ WIRTH**, *Die Welt, October 25, 1967.*

"This year—which was to have been a European year—Britain is more alone in its struggle to open the door to Europe than ever. Premier Wilson and Foreign Secretary Brown may well have come to the conclusion that the assessment they made after their journey to the EEC capitals early this year was a little too optimistic.

Yet despite efforts to revamp the European Free Trade Association (EFTA), they know that there is now no going back. They have, as spokesmen for this country commented in London, crossed the Rubicon. But they still have a long way to go."

**J.M.A.H LUNS**, *Dutch Minister for Foreign Affairs, Meeting of the Foreign Affairs Committee, Lower House of the Dutch Parliament, November 22, 1967.*

"There is a complete identity of views among the Five on the important question of British membership in the European Community."

**SICCO L. MANSHOLT**, *Vice President of the European Communities Commission, Press Conference, London, November 8, 1967.*

"If we want to have an equal position with the United States and the dollar, and if we want to have an equal role in world affairs, then we have to welcome a country like Britain. I don't say there are not any risks. It is important that we have a common monetary system so that the role sterling now plays in the world can be taken over by the total of our currencies in the Common Market. . . . There will have to be a certain period of transition and adaptation by Britain. The fundamental problems of Great Britain can be solved only by entering the Common Market."

**CHARLES DE GAULLE**, *President of France, Press Conference, November 27, 1967, the Elysée Palace, Paris.*

" . . . Today, to speak only of the economic sphere, the report addressed to the six governments on September 29 by the Brussels Commission demonstrates with the greatest clarity that the present Common Market is incompatible with the British economy as it now is. The chronic deficit in the British balance of payments demonstrates the economy's permanent disequilibrium. In its means of production, sources of supply, credit practices, working conditions, the British economy includes fundamental conditions which that country could not change without altering its own character.

"The Common Market is also incompatible with the way the English get their food . . . with the restrictions imposed by England on the export of capital . . . with the state of sterling. . . . In view of the pound's position as an international currency and

the enormous external balances which weigh it down, the state of sterling would not allow it at present to become part of the solid, independent, and sure group to which the franc, the mark, the lira, the Belgian franc, and the florin belong. In these conditions what would be the result of what is called the entry of Britain into the Common Market? . . . It would obviously mean the breaking up of a Community which has been built up and which functions according to rules which would not tolerate such a monumental exception. . . . France cannot enter at present into any negotiations with Britain and its associate countries which would lead to the destruction of the European Community. . . . Everything depends on fact not on negotiations, which for the Six would be a step towards degradation and toll the knell for the Community, . . . but rather on the will and action of the British people which would make them into one of the pillars of European Europe."

**WALTER HALLSTEIN**, *former President of the European Economic Community Commission, Address to European Movement, The Hague, November 11, 1967.*

"To counter the argument that because of this or that economic fact it is not yet possible to admit Great Britain, the possibility of membership by stages should not be excluded on principle. Certain trends in British public opinion point in this direction, and such a pragmatic approach may perhaps be a more appropriate reaction to the situation than the demand, put forward almost as an ultimatum, for "all or nothing" on a given deadline."

*The Knights' Hall in the Hague, the scene of the 20th Anniversary Meeting of the European Movement, on November 11, 1967. The European Movement was founded in 1947 to promote the unification and integration of Europe by informing public opinion and by studying and suggesting solutions to the political, technical, and economic problems of European integration.*





# Equal Treatment for European Insurors?

by DR. HERBERT BRUNS

*The Bundesrat (the upper house in the legislature of the Federal Republic of Germany) has objected to certain financial provisions in a proposed directive to coordinate insurance companies' activities throughout the Community. Dr. Herbert Bruns, Director of the Commission's division dealing with freedom of establishment, describes the background of the directive and explains the Commission's point of view.*

A COMMUNITY-WIDE INSURANCE BUSINESS will not just happen when each European Community country ensures the right of establishment for non-national insurance companies. Differences in laws, which circumscribe and insulate the national markets, must be harmonized.

To protect the insured, every Community member nation supervises insurance companies to some extent. Until recently the Netherlands only regulated life insurance, and even today Belgium intervenes in only certain branches of insurance. Other member states regulate the whole insurance field except reinsurance which, because of its international nature, theoretically escapes regulation.

If restrictions on the right of establishment are lifted, the Federal Republic of Germany, for example, will no longer be able to demand special financial guarantees from non-German insurance firms; for this would clearly infringe all Community companies' right to equal treatment. Here a paradox arises, because no one can expect member states to dispense with all regulations that ensure a company's solvency. Clearly, then, national laws governing access to, and exercise of, the insurance profession must be coordinated by the time restrictions are removed if liberalization is to be achieved. Member states have agreed to this procedure (except for reinsurance which would remain free of control).

The first draft directive in this field, submitted to the Council in June last year, stipulates that conditions governing the freedom of establishment in insurance (excluding life insurance) must be coordinated before restrictions are abolished. The directive would allow all Community insurance companies that accepted certain conditions to operate in any member state. It would also coordinate minimum capital requirements and the right of the authorities to intervene where necessary.

With a few exceptions, all insurance companies and all their activities would be subject to supervision by the authorities in the member state where its head office was located. Branches and agencies in other member states would be supervised by their respective authorities, but only for activities within their territorial jurisdictions. Special provisions would apply to branches of foreign (non-Community) companies. The main financial provisions in the directive would require insurance companies to keep sufficient technical reserves and a 'solvency margin' large enough to cover their operating risks.

However, the *Bundesrat* believes these financial requirements should apply only to insurance firms operating in more than one country and has urged that the proposal be modified accordingly. Otherwise, it maintains, many small and average-size firms with territorially and financially limited activities would suffer. The *Bundesrat* is in fact reiterating a previously expressed opinion that coordination only concerns companies with a "European vocation."

The Commission does not accept this viewpoint, because it

legally would create two types of companies and lead to discrimination. By asking the Community to control only those companies which wished to cross internal frontiers, the amendment sought by the German *Bundesrat* would prevent the formation of a common market in insurance.

Accepting this legal distinction would mean that companies near national frontiers would have to comply with financial requirements if they wished to continue their operations in a neighboring country. This would prevent growth to optimal size for companies in Luxembourg and other small states with limited domestic markets—by preventing them from expanding their activities to other countries. A company domiciled in one Community state would find it far more difficult, even impossible, to supply services in any of the other five member countries if its right to do so depended on its current size and the scope of its activities.

## Difficulties of Smaller Firms

The directive would require insurance companies to keep "technical reserves"—enough capital on hand to cover foreseeable obligations—and an additional "solvency margin" for unforeseeable or particularly costly accidents. The company's premium income and the average cost of past accidents would determine the amount of the requisite margin.

Although these are familiar criteria in international insurance, they are not yet official standards in Europe. The important thing to note here is that the *size of solvency margins is related to the size of the company*. Smaller firms would need to hold smaller (but not necessarily proportionately smaller) margins than large firms. The *Bundesrat's* objections, however, stem from a further stipulation: the solvency margin must not fall below a prescribed minimum, whatever the size of the firm. This minimum level, it is felt, would create hardship for smaller firms and might force them to sacrifice their independence.

To lighten the burdens of this requirement, the Commission's proposed directive excludes mutual insurance firms below a certain size. The transition period for smaller companies whose premium income does not exceed a specified amount has been extended to ten years (from three) unless they expand during that period and exceed the minimum. Finally, a clause has been inserted which provides for revision of the solvency margin in the event the Commission's investigations show that this is necessary.

As a common market develops, production, stocks, transport, distribution, and consumption increase, resulting directly in greater demand for insurance protection against risks. More manufacturing companies are opening up branches in several Community countries. It would be extremely difficult to satisfy this growing and Community-wide demand for insurance on an exclusively national basis.

A common market in insurance would not only serve the biggest companies but also benefit the small and medium-sized firms which operate across the border in frontier regions. Furthermore, agreeing to coordinate now would make it easier for companies to extend their activities later. The *Bundesrat's* proposal would mean that "national" companies would have to watch much of their insurance business go to companies in smaller member states which must seek business "internationally" beyond their own frontiers.



# COMMUNITY NEWS

## EUROPEAN PARLIAMENT URGES SPEEDY OPENING OF NEGOTIATIONS WITH UK

The European Parliament passed a resolution urging the Community to open negotiations promptly with the United Kingdom, Ireland, Denmark, and Norway concerning their applications for membership.

Meeting in Strasbourg from November 27-December 1, the members of the European Parliament called upon the European Communities Commission and its Council of Ministers to open talks to admit these four countries while preserving fully the Community's political and economic objectives. The resolution was passed after debate on the Common Market Commission's Tenth General Report. During the debate, many members of the Parliament also commented on French President Charles de Gaulle's press conference of November 27 (see page 17.)

Speaking for the Commission, President Jean Rey said he and his colleagues were fully aware of the crisis which would arise if solutions were not found for enlarging the Community. Although now divided over the opportunities for negotiations with Britain, the member governments had the duty of finding a path which would lead them back to unity.

Mr. Rey contrasted the solidarity among the Six in monetary affairs with their discord over Britain's candidacy. He said the Commission stood by its "enlargement" report (see page 12). The Commission did not believe that the nature of Britain's economic situation prevented her from becoming a member. He argued that the improvement of the British economy should indeed be the substance of talks with London.

The debate was also the occasion for the annual report by the current chairman of the Council of Ministers, Karl Schiller, Economics Minister of the Federal Republic of Germany. Mr. Schiller concentrated on the encouraging results achieved in working out common policies. Although he spoke on November 28, the day after President de Gaulle's press conference, he made no reference to it.

Later, however, answering members of the Parliament who participated in the debate (several of whom had commented in strong terms on the French President's remarks), Mr. Schiller did refer to Britain's application. Speaking for the Council, he said he hoped that the Council would be able to agree on a pragmatic solution, "a step at a time."

The remarks of the Chairman of the Gaullist group in the Parliament, Jean de Lipkowski, attracted considerable attention because he suggested a "pre-membership status" for Britain. This, he thought, would have the merit of not discouraging Britain's efforts to move closer to Europe, while maintaining the Community's internal cohesion.

Mr. de Lipkowski proposed that the Community consider:

- a commercial arrangement to facilitate British exports to the Community
- quota arrangements for farm imports while Britain gradually aligns her farm prices with Community prices and switches from her traditional food suppliers to the more expensive Community producers
- a European technological Community as proposed by British Prime Minister Harold Wilson (see page 16).

### Kennedy Round

On November 29, the Parliament unanimously adopted a resolution urging the Community to oppose vigorously all protectionist tendencies. This should be done, it said, in cooperation with the "political and economic forces of countries responsible for world trade."

During debate on the resolution, various members of Parliament expressed their anxieties about measures proposed in the U.S. Congress to counter "alleged European protectionism." The European members of Parliament argued that the issue was not European but rather "American protectionism." It was suggested that contacts between members of the Parliament and Congressmen might help to clear up the misunderstandings.

In his reply, Commission member Jean-François Deniau pointed out that the results of the U.S. moves were still uncertain. Nonetheless, it was right to warn the United States of the dangerous consequences such moves could have for the results of the Kennedy Round. The Community had a considerable deficit in its trade with the United States: imports from the United States were worth \$6 billion, while exports to the United States amounted to only \$4 billion. He said it was essential to await the U.S. Government's decisions.

Turning to the forthcoming UNCTAD (United Nations Conference on Trade and Development) meeting in New Delhi, which had been discussed during the debate, Mr. Deniau said that the Commission was trying to coordinate the economic policies of the Six. He hoped that the Community would be able to present a common front at New Delhi.

### Policy for Ports

On the same day, November 29, the European Parliament called for a Community policy for seaports according to these guidelines:

- The division or concentration of port traffic should depend solely on economic viability determined by competition.
- Transport rates for inland traffic between



*Jean Rey, President of the European Communities Commission, and Lionello Levi Sandri, a vice president of the Commission, during the annual joint meeting of the Communities' executive institutions with the European Parliament.*

harbors should be based on competition to a greater extent than they have been so far.

- The state could not entirely relinquish responsibility for harbors, even though efforts should be made to grant port authorities greater autonomy.

- The Community's ports will become increasingly important as world trade is liberalized following the Kennedy Round agreement, as Eastern European markets open to the rest of the world, and as developing countries expand their trade.

- As many major Community seaports as is economically and technically feasible should be connected by express roads, and inland waterways big enough for 1350-ton ships.

The debate on sea transport was based on an extensive report on the Community's ports. German Socialist Parliament member Hans Stefan Seifriz was rapporteur. According to the report, 290 shipping lines use Rotterdam, the Community's major port, followed by: Hamburg (247), Genoa (247), Bremen (240), Antwerp (236), Dunkirk and Le Havre (150 lines each), and Venice (109).

The Parliament's scheduled debate on general transport policy was postponed until January so that it could take place after the Council session on transport (on December 13-14).

### Social Affairs

In a debate on social affairs on December 1, several Parliament members referred to the relative lack of progress in this field. Replying for the Commission, Vice President Lionello Levi Sandri said the Commission tried to do as much, and more than the Rome Treaty permitted. It had, for instance, tried to widen interpretation of the text on the European Social Fund. The Commission would continue to stress the social aspects of the Community's transport and medium-term economic policies, and would use every "trump card" in the Paris (Coal and Steel Community) Treaty, he said.





### ALBERT WEHRER

(January 30, 1895-October 31, 1967)

Albert Wehrer, a former member of the High Authority of the European Coal and Steel Community, died in Luxembourg on October 31. He had been a member of the High Authority from its foundation in 1952 until July 1967 when it merged with the executive Commissions of the Atomic Energy and Economic Communities. As head of the Luxembourg delegation to the Schuman Plan negotiations which produced the ECSC Treaty he helped create the first of the European Communities. During his career in government service, Mr. Wehrer served as Luxembourg's delegate to the League of Nations and legal counselor in the Ministry of Foreign Affairs. During the occupation, he was head of the Administrative Commission of the Luxembourg Government-in-exile. The European Parliament paid tribute to Mr. Wehrer and recalled his words: "Only by uniting the nations of Europe, large and small, will Europe find peace and maintain its civilization, liberties, well-being, prestige, and influence in the world."

### GERMAN YOUTHS GROW MORE VOCALLY "EUROPEAN"

Support for European unification is growing in the Federal Republic of Germany as people born after 1945 become a more important and vocal segment of the population.

The young are becoming "European" more quickly than are their elders, according to a study published in October by the chief public opinion polling institute in Germany, *Institut für Demoskopie d'Allensbach*.

The percentage of Germans that said they would vote for a "United States of Europe" in an election rose from 68 per cent in 1955 to 78 per cent in 1967. During the same period the percentage of those 16-29 years old who would vote to unite Europe shifted from 66 per cent to 82 per cent.

The "Index of Europeanism," based on responses in 1955, would thus give the over all German population a rating of 115. The young people rated 124.

### BRITAIN EXPECTS A "CLEAR AND DEFINITE REPLY,"

Britain expects a "clear and definite reply," Jean Rey, President of the European Communities Commission, told the Council of Ministers on December 12.

He and Raymond Barre, member of the Commission, reported on their discussions in London on December 4 with British Prime Minister Harold Wilson, Foreign Secretary George Brown, Chancellor of the Exchequer Roy Jenkins, and ranking British civil servants. The Commission also gave an oral report on the effects of the devaluation of the pound sterling and other economic measures announced by Britain on November 18.

In view of these economic developments, the Council had asked the Commission to supplement sections of its September 29 opinion concerning Britain's application for membership in the Community. After the November 20 meeting, the Council issued a statement calling Britain's actions "a courageous step" towards solving its balance-of-payments problem and restoring economic equilibrium. The statement also said that the Community members' decision "to maintain the parity of their currencies and to participate in international support of the pound" indicated their own internal solidarity, "their solidarity with Great Britain," and their "readiness to work together in monetary matters."

#### "They Consider a Fast Decision Imperative"

On December 12, Jean Rey told the Council that during the December 4 discussions the British had stressed that they expected a clear and definite answer from the Council of Ministers on their membership application. They do not see any possibilities in association, Mr. Rey said, since it would be difficult to define and negotiate, and would provide no guarantee of membership. Britain would not settle for minimal, partial, or substitute solutions. Furthermore, Mr. Rey reported, the British do not see how they could continue

to have any common interests with the European Economic Community if their membership were blocked. Finally, he said, the British consider a fast decision imperative.

#### "A Step in the Right Direction"

Speaking for the Commission, Mr. Barre told the Council that the 14.3 per cent devaluation of the pound sterling was sufficiently large. It was a step in the right direction, provided that Britain carried out the other economic and monetary measures in its program. The program Britain presented when it borrowed \$1.4 billion from the International Monetary Fund included tax increases, wage and profit controls, and a reduction of public expenditures.

Mr. Barre said it was too soon to tell the precise effects these measures would have on Britain's economic structure and short-term economic trends; for the moment, these effects could only be estimated. The British Government expects a \$1.2 billion improvement in its current accounts by the second half of 1968, he said.

Concerning the international role of sterling, Mr. Barre said there was little to add to this section of the Commission's report of September 29. The Commission was pleased with Britain's declared willingness to discuss the problem.

President Rey, summarizing the Commission's views, stressed the necessity of opening negotiations with Britain quickly to discuss these problems thoroughly. He emphasized the effort which the member states would have to make to reach agreement and offered the Commission's assistance. He indicated that the failure of the Commission's efforts of conciliation could lead the Community into a serious external and internal crisis. At this moment when European unity is more imperative than ever, he concluded, such a crisis would be an inexcusable political reversal.

### U.S. DIRECT INVESTMENT CONCENTRATES IN EUROPE

One out of three U.S. direct investments abroad land in Europe, according to the September 1967 issue of "Survey of Current Business," published by the U.S. Department of Commerce.

United States direct investments abroad amounted to \$54.6 billion at the end of 1966. Nearly a third of that amount—\$16.2 billion—was in Europe. The United States has invested almost twice as much in Europe as Western Europe has invested in the United States. Nearly a half of U.S. direct investment in Europe is concentrated in the European Community countries; another third, in the United Kingdom.

The survey also disclosed that:

- Manufacturing accounts for almost half of U.S. direct investment in Europe; petroleum almost another quarter.
- U.S. earnings and income on direct investments in Europe rose from almost \$11.7

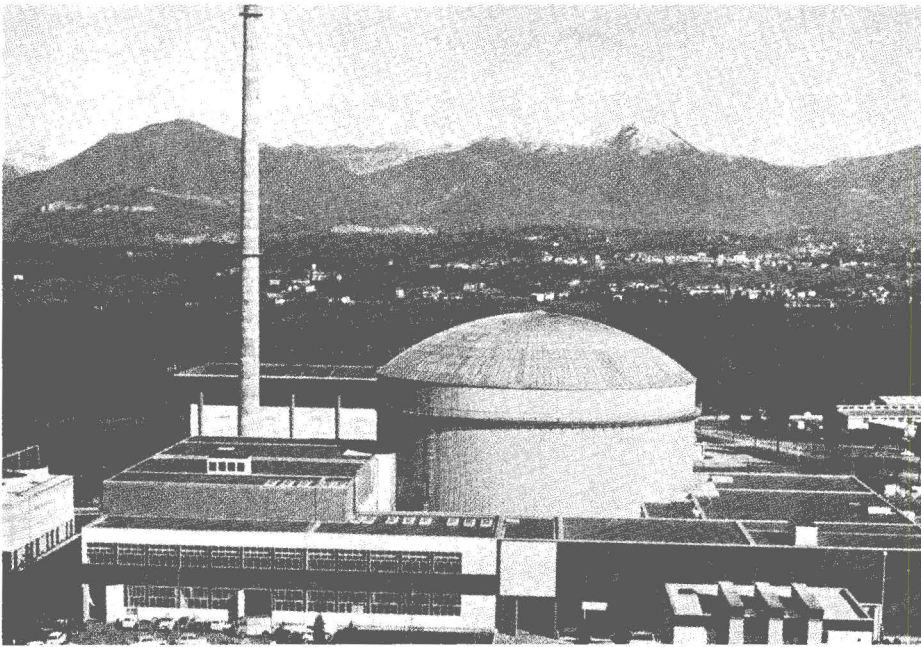
million in 1960, to \$19.5 million in 1965, but fell to \$18.8 in 1966.

- The United States in 1966 received over \$1 billion in royalties, license fees, rentals, management fees, and service charges from all its foreign direct investments. Of this total, \$457 million came from Europe, including \$235 million from the six Common Market countries. Of the \$235 million, \$176 million came from manufacturing.

- U.S. companies last year spent \$583 million acquiring foreign businesses, \$427 million in Europe. In 1965 U.S. companies spent \$258 million buying European firms.

The \$2.2 billion increase in direct investments in Europe in 1966 was financed through U.S. capital outflows of \$1.8 billion (including funds borrowed abroad by U.S. incorporated subsidiaries) and through the reinvestment of \$400 million of the earnings of the affiliated European corporation.





The ESSOR test reactor at Euratom's Joint Research Establishment, Ispra, Italy. The program of the Joint Research Center will be reviewed with special consideration given to optimal use of existing equipment.

## EURATOM'S INTERIM RESEARCH PROGRAM AND BUDGET ADOPTED OUTLINE DECISION PASSED ON ACTIVITIES AFTER 1968

The European Atomic Energy Community's interim research program and budget for 1968 were adopted on December 8 in Brussels by the European Communities Council of Ministers. At the meeting devoted solely to Euratom matters, the Council also adopted an outline decision on Euratom's future activities.

The interim budget consists of \$40.7 million for Euratom's "direct" activities: staff salaries and administrative expenses at the Joint Research Centers.

Euratom's "indirect" activities consist of joint research under "association contracts" between Euratom and partner organizations in member countries (jointly financed and managed) and contracts with private firms and independent research institutes. By June 30, 1968, the Council plans to decide which contracts Euratom should renew; they expire on December 31, 1967.

In the interim, the associations will continue to function. The dissemination of the results of their research will continue as usual, and Euratom personnel will remain in the research teams created under the association partnerships. Until the renewal of the contracts, the partner will pay Euratom's share of each project's costs (30-40 per cent), and will be reimbursed by the Community after the renewal of the contracts.

The Council asked the Committee of Permanent Representatives to report on Euratom's indirect activities by March 1, 1968, the same day the Committee is to report on the possibilities for joint research in key areas of technology (see European Community No. 107, page 17). June 30, 1968, is the Council's target date for a Community policy on research and technology. The Council's decision provides that Euratom's future activities will consist of:

- a joint program, as comprehensive as possible, covering several years, and financed by all Euratom members according to a fixed scale of contributions
- supplementary programs governed by special agreements with interested Euratom members.

The joint program will cover activities of the Joint Nuclear Research Center, but it will be reviewed, with special consideration given to optimal use of existing equipment and staff and improved management and administration. The decision states, "As far as the legal position allows, research may also be extended to non-nuclear activities, in particular in the fields mentioned in the Council's decision of October 31, 1967." (These were: data processing, telecommunications, new modes of transport, oceanography, metallurgy, meteorology, and air and water pollution.)

The joint program will also include training research workers, documentation, and activities that are or could be performed under association agreements and that do not uselessly duplicate efforts.

Supplementary programs may be of different types, according to the outline decision. Financing, the Commission's role, and the provision of information to non-participating countries are still undecided.

When preparing future research programs, the Council said thought should be given to:

- the possibility of inviting other European countries to participate
- the necessity of distinguishing between research activities that presuppose a common industrial policy and those that raise no industrial problems.

The question of long-term supplies of enriched uranium will be studied and the Commission will then make appropriate proposals.

## EIB TO FINANCE FRANCO-GERMAN VENTURE

The European Investment Bank has made two 12-year loans amounting to \$8 million for a petro-chemical complex in the Saar-Lorraine area, a joint venture between *Charbonnages de France*, *Houillères du Bassin de Lorraine*, and *Saarbergwerke AG*.

The installations being financed are an ammonia synthesis plant with a capacity of 1,000 tons a day at Carling, in France, and a urea plant with a capacity of 540 tons a day at Perl in the Saar.

The execution of these projects is to be based on close cooperation between the French and German coal mining companies involved. Two joint subsidiaries will be responsible for the construction and operation of the new plants, and for the exchange of experience and techniques.

This move into the chemical field is expected to hasten industrial change in the Saar and Lorraine; both these areas are currently affected by difficulties in their coal mining industries.

## IRAN TRADE PACT EXTENDED

The Trade Agreement between the European Economic Community and Iran has been extended for one year past December 1, 1967, its expiration date.

The extension was effected by an exchange of letters in Brussels on November 30. It was based on Article V of the agreement signed in Brussels on October 14, 1963, providing for the EEC to make additional concessions for certain products of special interest to Iran.

## COMMON TRANSPORT POLICY

Economic union between the member countries of the European Community is inconceivable without a common transport policy, according to Victor Bodson, a member of the European Communities Commission. However, in view of the pressure of the problems posed by transport that the Community will face upon completion of the customs union and in view of the political will of the European Communities Council of Transport Ministers, Mr. Bodson was optimistic about the chances of achieving a common transport policy.

He expressed these views on November 30 in Rotterdam at the third European Transport Symposium, convened by the committee of ITF (International Transport Workers' Federation) unions in the Community.

Mr. Bodson said he considered the meeting of the Council of Transport Ministers on December 13-14, 1967, important. This Council of Ministers had last met in October 1966, although pending before it were more than ten proposals for regulations and the European Parliament and the Economic and Social Committee had already rendered opinions on most of them.

To enable the Council to agree on all steps necessary for economic union, Mr. Bodson said the Commission would try to complete its work in transport. Finally, he emphasized, "the Commission will not lose sight of the special importance of social questions" in transport policy.



## FIRST OVERALL INDUSTRIALIZATION PLAN FOR EIGHTEEN STRESSES REGIONAL MANUFACTURE OF CONSUMER GOODS

The 18 African associates of the European Community are again urged to forsake nationalism and work together on regional industrial projects, especially for the manufacture of consumer goods.

A survey prepared for the European Communities Commission by an independent group of 16 experts, and transmitted to the African governments, lists 109 specific projects which could hasten industrial development. It is the first comprehensive, coordinated industrialization plan that has been proposed for the 18 countries which are associated with the Community through the 1963 Yaoundé Convention. The findings and conclusions contained in the survey are not necessarily those of the European Commission.

### Poverty and Sparse Population

Diversification and industrialization of the African associates' economies are primary objectives of the Yaoundé Convention, but these have been difficult to achieve. Sixty million Africans with average per capita incomes of less than \$12 per year live in an area ten times larger than the Community. In the Eighteen, there are only 470,000 people employed in secondary industries, 230,000 of them in manufacturing; and, most of these workers are concentrated in the four relatively developed coastal states of West Africa.

In terms of "the average," this is the problem, but each area in Africa experiences it differently. The Somali Republic, for example, has only 30 manufacturing concerns and 4,000 industrial workers. It has virtually no natural resources, 60 per cent of its people are nomads, and three-quarters of its population still live outside the cash economy.

Because of such area differences, the survey divided the associated countries into two regional groups, West Africa and Central Africa, and a third group of five geographically distinct countries: the Congo (Kinshasa), Ruanda, Burundi, Madagascar, and Somali.

For each region the experts made concrete proposals for establishing profitable industries, such as leather-tanning, steel-rolling, and vegetable and fruit canning.

### Consolidation of National Markets

For the Eighteen, the survey recommended regrouping and consolidating the national markets in order to strengthen purchasing power, prevent over-protection of domestic industries, and avoid unnecessary duplication and waste. It condemned excessive protection for the damage it caused the economy by keeping uncompetitive firms in business.

Arguing for coordinated investments, the experts said that it would be easier to site complementary industries logically: tire factories near rubber plantations, food-canning plants near can factories. The report urged the African states to encourage foreign experts to help them put new projects on their feet.

The inland countries should process locally-produced raw materials, the study said, because it is more difficult for them to obtain imported materials. Coastal states should give priority to processing imported raw materials. The experts recognized that this policy would probably favor certain states over others. More sophisticated industrialization projects involving imported raw materials would tend to locate in the coastal states—Cameroun, the Congo (Kinshasa), Ivory Coast, and Senegal—although, because of their geographical situation, these four countries are already the most advanced. Such disadvantages would, however, diminish as economic interdependence and economic union evolved. In this respect, the experts noted, the Community's own experience equipped it well to provide the Eighteen with the technical assistance they would need in establishing the complex administrative structure that economic union required.

### Industry No Cure-all

Industrialization, though essential for economic development, will not cure poverty, the survey pointed out. Agriculture would long continue to dominate most of these countries' economies, but the industrialized countries' demand for raw materials was expanding too slowly to stimulate their economic development sufficiently. Diversification of production in the Eighteen, primarily by industrial expansion, was therefore imperative, the survey indicated.

### Import Substitution Encouraged

The experience of the former Belgian Congo, the most highly industrialized African associate, demonstrated a general phenomenon which the experts noticed in many of the countries studied. When import channels suddenly close, local industries often spring up to replace them. The process usually begins spontaneously.

In the Congo, demand for imported consumer products declined sharply and a corresponding increase occurred in demand for consumer goods when political upheaval sent most Europeans home. Import restrictions and higher import prices also boosted demand for local goods, while severe foreign exchange controls compelled companies and individuals to reinvest their profits and savings in Congolese businesses.

The experts therefore suggested policies and projects to organize and accelerate the import substitution process which they considered the most natural and least risky approach for the African associates. They concluded that the African states must attempt to:

- pool their markets by means of multinational medium-term programs covering specific investments in a variety of industries
- organize joint trading systems, such as free trade areas and customs unions.

## EIGHTEEN TO RECEIVE

### \$22.3 MILLION THROUGH EDF

The European Development Fund has received authorization to channel the equivalent of \$22,341,000 to African countries associated with the European Community by the Yaoundé Convention.

These funds will finance ten development projects, according to decisions made by the European Communities Commission on November 24. The new decisions raise the second EDF's total commitments to the equivalent of \$461,887,000 for 223 financing decisions.

The projects on which the funds will be spent include: port construction in Gabon; banana and rice cultivation in Senegal; cultivation of dah (a shrub used in the manufacture of sacking) in Mali; water supply improvement on St. Pierre (the French island off the southern tip of Newfoundland); construction of a deep-water landing stage in Noumea harbor, New Caledonia, Cameroon.

## IRISH PREMIER GOES TO PARIS

Irish Prime Minister Jack Lynch and Finance Minister Charles Haughey made the last stop on their tour of the six Community capitals, which started with the Hague last June, in Paris on November 3 and 4.

The delegation met with French President Charles de Gaulle, Premier Georges Pompidou, and Foreign Minister Maurice Couve de Murville. After the meeting, Mr. Lynch told the press: "General de Gaulle told me that France looks forward to the day when Ireland becomes a member of the Community."

On his return to Dublin, Mr. Lynch was asked in the Irish Parliament whether the question of association had been discussed. His reply emphasized that Ireland had applied for full membership in the Community and that it was on this basis that the application was being discussed by the Communities' Council of Ministers. He added, however, that he had indicated to the French President that Ireland would consider the possibility of an "interim arrangement" with the Commu-

nity, pending accession to membership, if negotiations with Britain were delayed for "a considerable time."

Immediately before going to Paris, Mr. Lynch had met in Copenhagen on November 1-3 with Danish Prime Minister Jens Otto Krag. Mr. Lynch said Denmark and Ireland had found many similar problems in their membership applications. Both Prime Ministers agreed to keep in close touch during the coming months.

## COMMUNITY AWARDS 1,792 SCHOLARSHIPS

The Community this year is awarding 1,792 scholarships for nationals of the associated states and territories. Of this total 1,679 are earmarked for the 17 African states and Madagascar, 49 for the Netherlands Antilles, and 44 for Surinam. Educational institutions in the six Community countries will provide training for 1,235 scholarship holders. Another 508 will attend institutions in the associated countries themselves, and 49 will receive training in Israel.





Louis Rabot, Director General of Agriculture for the European Communities Commission signs the International Grains Arrangement. Standing immediately behind him, left to right, are members of the U.S. Department of State: James T. Johnson, Office of European Integration Affairs; Virginia Duke, Treaty Secretary; Thomas W. Fina, officer in charge, European Integration Affairs, and David L. Schlechty, Office of the President's Special Representative for Trade. Background, left to right: Jonathan L. Bayer, European Communities Information Service and John E. Rae, Office of European Integration Affairs, U.S. Department of State.

## COMMON MARKET SIGNS INTERNATIONAL GRAINS ARRANGEMENT

The European Economic Community signed the 1967 International Grains Arrangement on November 22 at the State Department in Washington.

The six Community member states—Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands, were also signatories to the treaty. M. Louis Rabot, Director General of Agriculture for the European Communities Commission, signed for the EEC under authority given to him by the European Communities Council of Ministers. In signing the agreement, the EEC has undertaken obligations both as an exporting country and as an importing country. The arrangement replaces the 18 year-old International Wheat Agreement (IWA) and consists of two parts: a Wheat Trade Convention and a Food Aid Convention.

The Wheat Trade Convention combines basic price provisions, negotiated in Geneva during the Kennedy Round cereal talks under the General Agreement on Tariffs and Trade (GATT), with a number of substantive and administrative provisions formerly contained in the IWA. Exporters and importers agreed that world trading prices for wheat should be higher than those in the IWA. The arrangement sets minimum and maximum prices for 14 major wheats and spells out procedures to be followed when prices reach the upper limit. In a significant departure from the IWA, the new arrangement establishes a series of minimum prices for major wheats based primarily on differences in market

value and quality at a common location.

The Food Aid Convention incorporates the food aid provisions reached at Geneva and establishes a Food Aid Committee to review the operation of the Convention.

In Geneva, the principle exporters and importers agreed upon a program providing a total of 4.5 million metric tons of grain a year to the needy nations of the world. Of this total, 4.2 million tons have been subscribed. The EEC will contribute one million tons, or about 23 per cent. The United States will contribute 42 per cent; Canada, 11 per cent; and Australia and Japan 5 per cent each, to name only the major contributors.

Contributions to the food aid program can be in the form of wheat, coarse grains suitable for human consumption, or the cash equivalent. The bulk of the contributions is expected to be in wheat. The food aid will be supplied as grants or sold on soft terms for local currency which, for the most part, will not be available for use by the contributing country.

Contributors may select the recipients of their aid and may administer their programs directly with the recipient or channel their contribution through an international organization such as the World Food Program.

The Arrangement was open for signature in Washington between October 17 and November 30, 1967. The two Conventions of the Arrangement will enter into force for a three-year period on July 1, 1968. Thirty-one countries and the EEC signed the Wheat Trade Convention, and 17 countries and the EEC signed the Food Aid Convention.

## NEGOTIATIONS RESUME WITH TUNISIA AND MOROCCO

The European Community has resumed negotiations with the Maghreb countries under new mandates given by the Council of Ministers at its meeting of October 23-24.

The European Communities Commission met in Brussels with the Tunisian delegation on November 14-16 and with the Moroccan delegation on November 22-24. Agreement is being sought in accordance with the declaration of intent annexed to the Common Market Treaty providing for the association of the independent countries in the franc area.

During this round of negotiations, the gen-

eral form of the agreements and the preferential arrangements to be established in the agricultural and industrial areas were discussed. Consideration was given to the possibility of concluding partial agreements, to be completed later by overall association agreements. Before the next negotiating sessions, the Commission must report to the Council of Ministers for further instructions.

The Moroccan delegation stressed how important it considers the establishment of cooperation between the Community and Morocco on technical and financial, and labor matters.

## RECENT BOOKS ON COMMUNITY TOPICS

EUROPEAN COMMUNITY periodically lists books dealing with Community and Atlantic topics. This presentation does not thereby indicate particular approval or recommendation of the publications.

**The European Common Market and Community.** Edited by Uwe Kitzinger, Routledge and Kegan Paul, World Studies Series, London, 1967.

A collection of statements, declarations, treaty articles, and speeches on European integration through early 1966. The documents quoted include the draft declaration of the European resistance movements of July 1944, the Schuman Declaration, the Messina resolution of 1955, the Fouchet Plan, and the Luxembourg statement of January 1966 which ended the last Community crisis. "The Community and the Anglo-Saxon World," (Part IV) contains excerpts from Prime Minister Edward Heath's October 1961 statement on British aims in seeking Community membership, the Labor Party's "five conditions" statement, and President de Gaulle's 1963 "veto" press conference.

**L'Europe des affaires: role et structure des groupes.** By Jean Maynaud and Dusan Sidjanski, Payot, Paris, 1967.

A study of business concentration since the Common Market. It analyzes the extent to which European companies have responded to the stimulus of the Common Market by forming larger units. The authors examine the trend of industrial structures and ask whether business will benefit from the lack of political unity in Europe or promote political unity to protect its own interests.

The authors also consider how the lack of coordination between the political and the economic integration of Europe affects industry. Will industry profit from the lack of political unity or will it try to promote unity to protect its own interests, the authors ask.

**Law and Institutions in the Atlantic Area: Readings, Cases, and Problems.** By Eric Stein and Peter Hay, The Bobbs-Merrill Company, Inc., Indianapolis, Kansas City, New York, 1967.

A collection of international legal materials that endeavors to put the law into its social context. Mr. Stein, Professor of Law at the University of Michigan, and Mr. Hay, Professor of Law at the University of Chicago, reject the "rule-oriented legal positivism" that has "led to the idealization and overestimation of the role of international law," and in turn to "dispairing and destructive cynicism as to (its) value." The materials selected illustrate cases where international law and institutions have directly affected national legal systems. The authors have expanded the 1963 edition of their book by including materials that compare regional and worldwide institutions and goals.



## FILMS AVAILABLE

EUROPE WITHOUT FRONTIERS. Monitor Films, producer. Black and white, color, 16 mm., 18½ minutes long. 1961.

*The film shows what the Six had done for European unity up to 1961. It shows how the European Economic Community, Coal and Steel Community, and Euratom work, and highlights certain of their practical achievements: increased output and modernization in the coal and steel industries, creation of a common agricultural policy, facilities for the free movement of workers, and the program for peaceful use of the atom.* Source: The European Community Information Service, Washington, D.C. 20006. A free copy of this film available to the first hundred organizations requesting it.

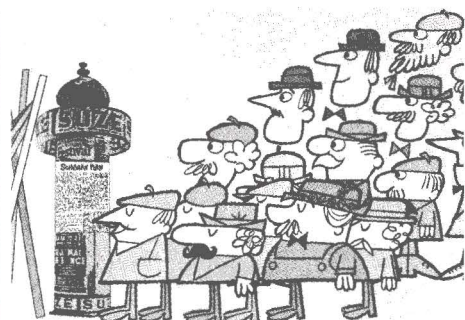
EUROPEAN COMMUNITY. Sean Graham, director. R. H. Riley, producer. Color, 16 mm., 19 minutes long. 1965.

*Europe cannot remain divided in today's world of giants. The film shows what the Six have already done for European unity and explains how the European Economic Community, Coal and Steel Community, and Atomic Energy Community work.* Source: purchase or rental from McGraw-Hill, Inc., Text-Film Div., 330 E. 42nd St., New York, N.Y. 10036.

EUROPA. Ted Lowry, director. Pelican Films, producer. Color, 16 mm. and 35 mm., 13 minutes long. 1963.

*A cartoon dialogue between Zeus and Europa explains the lessons of the past and views the future with hope. The six European Community members have pooled their economic destinies, wanting to become a healthy, strong*

*family.* The film may be borrowed from the European Community Information Service, Washington, D.C. 20006.



A frame from "Europa."

## PUBLICATIONS AVAILABLE

THE COMMON TRANSPORT POLICY: AN ELEMENT IN ECONOMIC UNION? Address by Victor Bodson, Member of the Commission of the European Communities, Rotterdam, November 30, 1967, 24 pages (mimeographed) ..... free

ADDRESS BY PROFESSOR WALTER HALLSTEIN TO THE ASSEMBLY OF THE EUROPEAN MOVEMENT IN THE NETHERLANDS. The Hague, November 11, 1967, 21 pages (mimeographed) ..... free

*Professor Hallstein is the former president of the EEC Commission.*

OUR ACCELERATING CENTURY. Address by Sico L. Mansholt, Vice President of the Commission of the European Communities, London, November 8, 1967, 14 pages (mimeographed) ..... free

STATISTICAL INFORMATION, 1967, No. 1, Statistical Office of the European Communities, Brussels, 98 pages ..... \$2.00

*This issue contains the following articles in the languages indicated. English summaries follow each article.*

- A SYSTEM OF PRICE STATISTICS FOR THE EUROPEAN ECONOMIC COMMUNITY (German)
- EXPORTS OF CAPITAL GOODS FROM THE COMMUNITY (French)
- AN ANALYSIS OF INCOME VARIANCE IN THE NETHERLANDS (English)

OPINION ON THE APPLICATIONS FOR MEMBERSHIP RECEIVED FROM THE UNITED KINGDOM, IRELAND, DENMARK AND NORWAY FOR SUBMISSION TO THE COUNCIL UNDER ARTICLES 237 OF THE EEC TREATY, 205 OF THE EURATOM TREATY, AND 98 OF THE ECSC TREATY. Commission of the European Communities, Brussels, September 29, 1967, 86 pages .... \$ .70

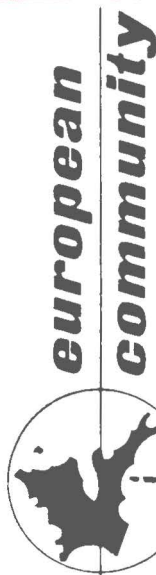
*Report concerning the enlargement of the Community.*

STATISTICAL INFORMATION, 1967, No. 2, Statistical Office of the European Communities, Brussels, 222 pages ..... \$2.00

*This issue contains five articles on higher education statistics in the Community countries and explains the statistical methods used in each instance. Each article is in the language of the country concerned.*

THE FACTS. European Community Information Service, Brussels, August 1967, 32 pages ..... free

*This booklet, which contains "all the facts" on the European Communities, may be ordered in bulk. It explains how the merger of the executive branches of the Coal and Steel, Atomic Energy, and Economic Communities in July 1967 affects the organization of the institutions and the daily work of the Communities.*



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